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FARMERS & MERCHANTS
TRUST CO. LTD.

ANNUAL REPORT
OCTOBER 31st, 1968

OFFICES

CALGARY

EDMONTON

GRANDE PRAIRIE

LETHBRIDGE

MEDICINE HAT

RED DEER

MONTREAL

NASSAU

OFFICERS

S. HANEN, *Chairman of the Board*

DONALD A. ROSS, *President*

A. RAYMOND CRÉPAULT, Q.C., *Vice-President*

NOLAN E. HINMAN, *General Manager*

GORDON C. ENNIS, *Secretary-Treasurer*

DIRECTORS

A. R. CRÉPAULT, Q.C.

G. C. ENNIS

H. HANEN

S. HANEN

D. A. ROSS

D. M. SKINNER

BRANCH MANAGERS

L. E. BURTON

L. L. DAVIDSON

G. C. ISBERG

C. A. REMPEL

F. D. SARAGEA

B. B. STONE

J. R. UNSWORTH

G. B. WRIGHT

PRESIDENT'S REPORT FOR 12 MONTH PERIOD ENDED OCTOBER 31st, 1968

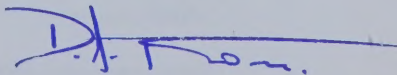
I am most happy to report that your Company enjoyed a very successful year in 1968. The Company continued to expand its customer family and accordingly we enjoyed a reasonable increase in volume of deposits and certificates. Operating profits were the best experienced in the Company's history.

The Company's outlook for 1969 is favourable and I anticipate improved profits and increased volume. The continuing high cost of money remains the financial industry's greatest problem, and the progress reported has been made in the face of this difficult operating circumstance.

During 1968 officials of your company discussed the possibility of merger with other Alberta Trust Companies. Circumstances rendered the completion of a workable proposal impossible. Although no discussions are now in process, Farmers & Merchants will continue to seek merger opportunities which will be beneficial to its' shareholders.

Your directors feel that dividends on common shares should be deferred until a conservative ratio between capital and deposit liabilities is established. Consideration is being given to the issue of further capital securities to effect the desired ratio.

I would like to express my appreciation to the staff of your Company, whose dedication and hard work are responsible for the continuing improvement in your Company's position.

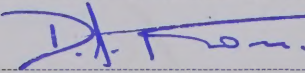
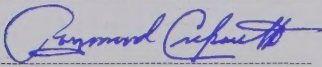
A handwritten signature in blue ink, appearing to read "D. A. Ross", with a long horizontal line extending to the right.

DONALD A. ROSS
President

CONSOLIDATED BALANCE

(with comparison)

Assets

	<u>1968</u>	<u>1967</u>
ASSETS HELD IN TRUST FOR GUARANTEED ACCOUNTS:		
Cash and bank deposit receipts	\$ 1,294,318	\$ 1,012,262
Investment in marketable securities, at cost (Notes 2 and 3) (Market value 1968 — \$10,355,216; 1967 — \$8,655,071)	11,167,786	9,279,085
Mortgages and agreements receivable	21,419,232	19,340,066
Secured loans	177,594	420,936
	<u>34,058,930</u>	<u>30,052,349</u>
COMPANY ASSETS:		
Cash and bank deposit receipts	306,441	28,712
Accounts receivable	90,772	196,007
Investment in marketable securities, at cost (Notes 2 and 3) (Market value 1968 — \$1,306,987; 1967 — \$1,168,088)	1,212,308	1,440,907
Agreement for sale	94,567	95,486
Properties held for sale	471,840	831,304
Other Assets	13,291	11,970
Land, buildings and office equipment, at cost less accumulated depreciation 1968 — \$174,069; 1967 — \$159,266	422,294	449,551
Due from (to) agency account	(404)	2,785
Due from guaranteed trust account	817,442	186,236
	<u>3,428,551</u>	<u>3,242,958</u>
AGENCY ASSETS:		
Cash	15,550	23,731
	<u>15,550</u>	<u>23,731</u>
APPROVED ON BEHALF OF THE BOARD:		
	Director	
	Director	
	<u>\$37,503,031</u>	<u>\$33,319,038</u>

D. and Subsidiary Companies

— OCTOBER 31, 1968

(for 1967)

Liabilities

	<u>1968</u>	<u>1967</u>
GUARANTEED TRUST ACCOUNTS:		
Savings deposits	\$ 6,748,403	\$ 5,689,653
Guaranteed savings certificates	26,493,085	24,176,460
Due to capital account	817,442	186,236
	<u>34,058,930</u>	<u>30,052,349</u>

COMPANY LIABILITIES AND SHAREHOLDERS' OWNERSHIP:

Accounts payable and accrued liabilities	87,473	188,486
Income taxes payable	52,908	7,350
Mortgage and agreement payable	69,608	87,057
Deferred income	1,093,595	1,093,137
Mortgage reserve	150,000	150,000
Shareholders' ownership —		
Capital stock —		
Authorized —		
100,000 7% cumulative preference shares of a par value of \$10 each		
1,000,000 common shares of a par value of \$1 each		
Issued —		
25,000 cumulative preference shares	250,000	250,000
799,763 common shares	799,763	799,763
Reserve	500,000	350,000
Surplus, per statement attached	425,204	317,165
	<u>1,974,967</u>	<u>1,716,928</u>
	<u>3,428,551</u>	<u>3,242,958</u>

AGENCY LIABILITIES:

Agencies under administration	15,954	20,946
Due to (from) company account	(404)	2,785
	<u>15,550</u>	<u>23,731</u>

<u>\$37,503,031</u>	<u>\$33,319,038</u>
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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS FOR THE YEAR ENDED OCTOBER 31, 1968

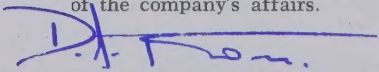
(with comparative figures for 1967)

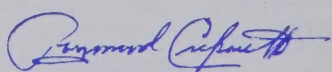
	<u>1968</u>	<u>1967</u>
Profit before the following	\$ 2,282,012	\$ 1,961,598
Interest on savings deposits and guaranteed savings certificates	1,953,005	1,667,166
	<u>329,007</u>	<u>294,432</u>
Provision for income taxes	<u>53,468</u>	<u>7,145</u>
Net profit from operations before special provisions	275,539	287,287
Special provisions —		
Transfer to mortgage reserve	—	60,000
Loss on devaluation of foreign currency	—	60,000
Net profit for the year	<u>275,539</u>	<u>167,287</u>
Surplus (deficit), beginning of year	317,165	(63,985)
Add:		
Premium on shares issued less distribution costs	—	317,782
	<u>592,704</u>	<u>421,084</u>
Less:		
Transfer to reserve	150,000	75,000
Dividends paid on preference share	17,500	17,500
Organization costs written off	—	11,419
Surplus, end of year	<u>\$ 425,204</u>	<u>\$ 317,165</u>

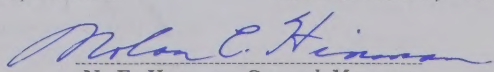
Certificate

(Under the Trust Companies Act, 1967, Sec. 91 (3))

We certify that the financial statements of Farmers & Merchants Trust Co. Ltd. are to the best of our knowledge and belief correct and show truly and clearly the financial condition of the company's affairs.


D. A. ROSS, President


A. R. CREPAULT, Vice-President


N. E. HINMAN, General Manager

January 2, 1969
Calgary 1, Alberta

AUDITORS' REPORT

To the Shareholders of
FARMERS & MERCHANTS TRUST CO. LTD.

We have examined the consolidated balance sheet of Farmers & Merchants Trust Co. Ltd. and subsidiary companies as at October 31, 1968 and the consolidated statements of profit and loss and surplus and reserve for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances including verification of cash, bank balances and securities of the company. All our requirements as auditors have been complied with.

We report that the financial statements are in agreement with the books of the companies and that, with the exception of the matters referred to in Notes 2 and 3 all transactions of the company that have come within our notice have in our opinion been within the powers of the company.

After due consideration we have formed an independent opinion of the position of the companies as at October 31, 1968 and subject to the realization of the cost values of the investments in marketable securities referred to in Note 1, we report that in our opinion and according to the best of our information and the explanations given to us the accompanying consolidated balance sheet and consolidated statements of profit and loss and surplus and reserve present fairly the financial position of the companies as at October 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & Co.
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 1968

1. No provision has been made for the decline in the market value of marketable securities below cost because, in the opinion of management, such decline does not represent a permanent diminution in value.
2. The amount of common stock investment carried in company assets exceeds 25% of capital and reserves as permitted under the Trust Companies Act 1967. The company's total investment in common shares does not exceed the total amount permitted under the Act for company funds and guaranteed trust funds combined.
3. Under the Trust Companies Act 1967 the amount allowable as an investment in the securities of any one company is limited to 15% of capital and reserves. As at October 31, 1968 the company held investments in securities of three companies, each of which exceeded 15% of capital and reserves.

